

OFFICE OF INSPECTOR GENERAL

INTERNAL AUDIT

Enhancing Public Trust in Government



Audit Report

**Outsourcing of Child Welfare Services:
Has Effective Oversight Been Established?**

Project #A-05-0708-260

June 25, 2008

Purpose and Objective

The Department is ultimately responsible for the care, safety and protection of children pursuant to Chapter 39, Florida Statutes.

This is the second in a series of audit and consulting reports which takes a high-level look at the model used for outsourcing child welfare services, and will focus on whether effective oversight has been established.

The **objective** of this audit is to determine whether the current structure of the community-based care model ensures adequate oversight in the provision of foster care and related services.

Scope and Methodology

The **scope** of this audit addresses the following oversight functions:

- Contract Management
- Contract Monitoring
- Fiscal Monitoring
- Quality Assurance
- Performance Measures

To meet our audit objective, we performed the following:

- Reviewed governing laws;
- Reviewed applicable audits and evaluations conducted by the Office of Program Policy Analysis and Government Accountability, the Auditor General, and other sources;
- Interviewed appropriate Department Management and staff;
- Interviewed community-based care lead agency management;
- Obtained an understanding of the Department's oversight functions; and,
- Performed additional testwork, as deemed necessary.

Background

As pointed out in Office of Inspector General Audit Report #A-05-0708-070, under the Agency Model of community-based care, the Department generally does not have a direct relationship with (i.e., does not contract with or directly oversee) most of the entities who actually provide services to the children. Lead agencies are allowed, with some exceptions, to enter into subcontracts for child welfare services without obtaining prior Department approval, and lead agencies are given the responsibility for monitoring and quality assurance of these subcontracts.

This poses an inherent risk to the Department, because it must rely on the lead agencies to provide assurance that the Department is in compliance with its legal and fiduciary responsibilities for the care, safety and protection of children. In this report, the Office of Inspector General will address the effectiveness of the Department's oversight process in assuring that the children are being well-served under outsourcing.

A future Office of Inspector General consulting report will be examining the model used for child welfare service delivery by both the Department and providers.

Contract Management

Under s. 287.057(15), Florida Statutes (F.S.), the contract manager is responsible for enforcing performance of the contract terms and conditions and serve as a liaison with the contractor. In 2005, the Legislature enacted Chapter 2005-222, Laws of Florida (LoF), to remove uncertainty as to the appropriate role and authority of the Department in providing oversight of outsourced services. The law created s. 402.7305, F.S., which requires the Department to establish a contract management process and requires the Department's contract manager to perform specific tasks.

As stated above, the contract manager is responsible for enforcing contract compliance. The contract manager is also the primary point of contact between the Department and its contractors, and is responsible for the day-to-day contract oversight. When appropriate, the contract manager is required to request corrective actions, and to review, approve and enforce corrective action plans of providers. The contract manager is also required to follow-up with the provider to ensure implementation of corrective actions. Documentation of approved corrective action plans, status reports (as required) and completion of the corrective action plan is required to be maintained in the contract file.

The Department publishes CF Operating Procedure No. 75-2, "Contract Management System for Contractual Services," which includes a chapter providing procedures and guidance regarding the responsibilities of the contract manager. However, some Department administrators expressed concern that administrative cutbacks were preventing community-based care contract managers from effectively carrying out their responsibilities.

As one administrator said:

“The Department has abridged its responsibilities by not having quality contract management and supervision. We need contract managers who understand both program and contract management.”

Section 402.7305, F.S., requires the contract manager to periodically visit the physical location where the services are delivered and speak directly to clients receiving the services and staff responsible for delivering the services. Under the Lead Agency Model of community-based care, compliance with the statute generally necessitates the contract manager visiting subcontractor sites where much of the actual service delivery is occurring. However, based on interviews with Department administrators and staff, this may not be taking place:

- “You do not get direct input as to the quality of the subcontractors’ work. We have to have some direct way of knowing what they are doing. The layers prevent you from reaching out directly to the subcontractors and getting action.”
- “It’s difficult to pierce the subcontractor veil.”
- “There are no surprise visits, nor is it routine to visit the subcontractors.”
- “The lead agency is responsible for overseeing their subcontractors.... Even if the lead agency agreed to more visits by us, what authority would we have when we are out there?”

Furthermore, under s. 402.7305, F.S., it is the contract manager’s responsibility to periodically document any differences between the required performance measures and the actual performance measures. If a provider fails to meet and comply with established performance measures, the Department must terminate the contract; however, the Department may consider extenuating circumstances and allow a reasonable period for the provider to correct deficiencies. Performance measures will be discussed as a separate topic in this report. However, some Department administrators and staff have expressed concern over the time availability and reliability of performance data from the Department’s automated child welfare information system - the Florida Safe Families Network (FSFN):

- “There have been a lot of issues with the quality, accuracy and frequency of information in FSFN. I would say that we are reviewing the data due to possible errors in the system.”
- “... We can’t get the necessary data out of FSFN.”

While the Department has established a contract management process, the Lead Agency Model presents unique challenges in the oversight of outsourced services. As a result, community-based care contract managers may need to take a more active oversight role which includes periodic visits to subcontractors, talking with staff and children, and observing the delivery of services.

Contract and Fiscal Monitoring

Contract Monitoring

Section 402.7305, F.S., also requires the Department establish contract monitoring units and contract monitoring process which includes performing onsite monitoring at external locations of a service provider. The law states, in part, "The department may monitor any contract at any time...." Contract monitoring is conducted primarily by the Department's Contract Oversight Units. The statute describes contract monitors as being responsible for observing, recording and reporting the information necessary to assist contract managers and program management in determining whether providers are in compliance with the terms and conditions of contract. Contract monitoring is not intended; however, to assess quality of service delivery.

Since 2005, responsibility for monitoring contracts has gone through several organizational changes, having been assigned to the former 13 districts and one region, the Office of Inspector General, the Office of Quality Management and, in fiscal year (FY) 07/08, the Office of the Assistant Secretary for Programs. While under Quality Management, an integrated review process was used in which Contract Oversight, Quality Assurance and Licensure staff worked together to conduct a single review of community-based care lead agencies. However, under the Assistant Secretary for Programs, Contract Oversight has conducted separate monitoring of lead agencies, and the Chief of Contract Oversight does not expect the integrated review process to continue.

Contract Oversight Units are responsible for monitoring the contracts with each of the community-based care lead agencies, except for ChildNet and Our Kids. Notwithstanding s. 402.7305, F.S., in 2006, the Legislature passed Chapter 2006-30, LoF, which, under a three-year pilot program, transferred fiscal, administrative and programmatic monitoring of ChildNet and Our Kids to independent, nongovernmental third party entities. Based on discussions with the General Counsel's office, Chapter 2006-30, LoF, is specific to monitoring the community-based care contracts with ChildNet and Our Kids, and takes precedent over the Department's general authority under s. 402.7305, F.S. to monitor any contract. The reason for the transfer of oversight responsibility and its impact will be discussed further throughout this report.

Under the Lead Agency Model, lead agencies are responsible for monitoring subcontracts which they enter into with entities that provide direct services to the children. Lead agencies are also responsible for developing written procedures for monitoring of subcontracts. According to Contract Oversight staff, contract monitoring of lead agencies includes reviewing the lead agency's monitoring schedule, monitoring procedures, reports issued and timeliness of corrective action to report findings. However, it does not include visits to subcontractors unless, in their determination, the lead agency fails to monitor its subcontracts sufficiently.

In accordance with s. 402.7305, F.S., the Department has established contract monitoring units and a contract monitoring process. Furthermore, in a recent progress report the Office of Program Policy Analysis and Government Accountability (OPPAGA) found that the Department has taken steps, consistent with OPPAGA's recommendations, to strengthen its contract oversight system, including the contract monitoring process.

Fiscal Monitoring

The Department's FY 07/08 standard lead agency contract Attachment I describes fiscal monitoring as providing financial oversight and ensuring the integrity of the provider's operations, including adherence to generally accepted accounting principles and the appropriate use of various funding streams.

As previously mentioned, Chapter 2006-30, LoF, established a three-year pilot program which transferred the Department's fiscal, administrative and programmatic oversight of the agencies in Broward, Miami-Dade and Monroe Counties to independent third party entities. This was at the request of Our Kids management which, in their words, sought independence from the Department and questioned the competence of the Department's monitors.

In response to Chapter 2006-30, LoF, the Department contracted with Abel & Associates, PA, CPAs in August 2006, to provide fiscal and administrative monitoring (including tasks previously performed by Contract Oversight Units) of ChildNet and Our Kids. The law requires that the pilot program not be implemented until the parties agree to the selection and manner in which the monitor would carry out its responsibilities. According to the Auditor General, Abel & Associates was awarded the contract because they were already providing satisfactory financial monitoring of ChildNet for the Department since October 2003, and Our Kids also agreed with the selection.²

Although not required by Chapter 2006-30, LoF, former Secretary Lucy Hadi directed that fiscal monitoring of the other lead agencies also be outsourced, and the Department contracted with Public Consulting Group (PCG) to be fiscal monitor. However, by the end of December 2007, PCG's contracts were terminated and a decision made to bring in-house fiscal monitoring (excluding ChildNet and Our Kids). According to the Assistant Secretary for Administration, moving fiscal monitoring in-house will enable the Department to more quickly identify and address fiscal issues as they arise. She indicated a desire to have in-house fiscal monitoring begin July 1, 2008; however, budgetary restrictions may delay implementation.

With regard to the impact of Chapter 2006-30, LoF, on fiscal monitoring, Office of Inspector General consulting report #C-05-07-08-026 states, "allowing contractors to be part of the selection process and establishing the manner in which they are monitored does not promote independence and accountability."

¹ Source: OPPAGA Report No. 08-32, "Department of Children and Families Has Strengthened Its Contract Oversight System," published May 2008.

² Auditor General Report No. 2008-072, "Department of Children and Family Services - Community-Based Care Pilot Program - Fiscal and Administrative Monitoring - Operational Audit," published January 2008.

Recommendation

In light of recent improvements in contract oversight, and to enhance accountability, **recommend** that at the conclusion of the three-year pilot program, the Department propose that it retain responsibility for fiscal and administrative monitoring of all lead agencies.

Management Response

“This recommendation will be taken into account when the Department makes its proposal to the Legislature. Because the pilot is not yet completed, it would be premature to make a final decision at this time.”

Quality Assurance

Title 45, Chapter XIII, Part 1355.34(c)(3), Code of Federal Regulations, requires states operate an identifiable quality assurance system. The quality assurance system is one of the seven systemic factors assessed through the Federal Child and Family Services Review (CFSR) process. This review will be discussed further in the next section, Performance Measures.

Quality assurance reviews assess the quality of services provided to children and families, determine whether case work services are comprehensive and services received meet clients' needs, and evaluate whether case workers' decisions were in the clients' best interests.³

Although the Department has had some form of quality assurance relative to child protective services since 1999, this inspector general report focuses on quality assurance for community-based care. In 2001, OPPAGA reported that the Department's system for monitoring providers did not allow for routine assessment of the quality of the provider's service provision.⁴ Since then, development and implementation by the Department of a viable quality assurance system for community-based care has gone through several revisions:

- OPPAGA reported that the Department piloted an integrated monitoring review of the Sun Coast Region in September 2002, as well as a System of Care review. However, they added, “... the program's integrated monitoring approach has not streamlined current duplicative and overlapping monitoring processes.”⁵
- The 2003 Legislature appropriated 88 new FTEs to the Department to expand its quality assurance function. These positions were outposted to the [former] district offices.⁶

³ Source: OPPAGA Report No. 08-09, “Pilot to Outsource CBC Program Oversight Encountered Setbacks; Effectiveness Unknown,” published February 2008.

⁴ Source: “Florida Statewide Assessment,” prepared in conjunction with Florida's first CFSR, August 2001.

⁵ Source: OPPAGA Report No. 01-14, “Justification Review – Child Protection Program,” published March 2001.

⁶ Source: OPPAGA Report No. 03-09, “Progress Report: Child Protection Program Makes Needed Changes But Lacks Data for Evaluating Results of Initiatives,” published January 2003.

OPPAGA reported that the Department planned to implement a new three-tiered quality assurance/quality improvement system in early⁷ 2004.

- The Department implemented the Child Welfare Integrated Quality Assurance (CWIQA) review process, and over 2004 and 2005, CWIQA reviews occurred in every lead agency.⁸ The statewide transition to community-based care was completed in April 2005.
- In July 2005, the Office of Quality Management was created, and charged with establishing a Department-wide quality assurance process. The Department implemented a three-tiered quality assurance system beginning in April 2006. Under the system, each lead agency was responsible for developing and implementing a Quality Management Plan for reviewing in-house and subcontracted services (Tier 1), while Department staff were responsible for approving lead agency plans and validating lead agency quality assurance reviews (Tier 2).

To enable lead agencies to carry out Tier 1 quality assurance responsibilities, in July 2006, the Department eliminated roughly half (43 FTEs) of its quality assurance staff statewide and transferred these funds to lead agencies.¹⁰

- In late January 2007, Secretary Butterworth created an Organizational Review Work Group, which recommended the Department go to a regional structure. As a result, Department quality assurance staff were moved out of the Office of Quality Management and placed under the direction of regional management. In addition, a Child Welfare Quality Assurance Regional Model was developed, approved by the Secretary in March 2008, and is expected to be implemented on July 1, 2008.

The Regional Model incorporates a methodology used by the Chapin Hall Center for Children (Chapin Hall). It eliminates the three-tiered model, replacing it with base, side-by-side, and in-depth quality reviews, in addition to 100% case management supervisor reviews. An Implementation and Oversight Team, comprised of Department and lead agency management, has been chosen to make decisions as to the specifics of the actual implementation, including the statewide minimum criteria for the community-based care lead agencies' quality assurance plans for FY 08/09.

Pursuant to Chapter 2006-30, LoF, programmatic monitoring (including quality assurance) of ChildNet and Our Kids is to be conducted by an independent third party entity. In response to the law, the Department contracted with Chapin Hall (through the University of Chicago) in November 2006 to conduct program monitoring of ChildNet and Our Kids through quality

⁷ Source: OPPAGA Report No. 04-03, "Special Report: DCF Needs to Improve Child Protection Staff Training and Clarify DCF and Lead Agency Roles," published January 2004.

⁸ Source: "Statewide Assessment Instrument," prepared in conjunction with Florida's second CFSR, January 2008.

⁹ Source: OPPAGA Report No. 07-03, "CBC Pilot Project Implementation Delayed But Proceeding; Other Initiatives Implemented," published January 2007.

¹⁰ Source: OPPAGA Report No. 07-03, "CBC Pilot Project Implementation Delayed But Proceeding; Other Initiatives Implemented," published January 2007.

assurance reviews and to develop new performance outcome measures. According to OPPAGA, Chapin Hall was selected at the recommendation of ChildNet and Our Kids management.¹¹

OPPAGA's interim evaluation of the pilot program found that implementation has been substantially delayed, in part, because Chapin Hall used the Department's quality assurance system. As described in OPPAGA's evaluation, problems with the quality assurance system hindered Chapin Hall's ability to successfully implement program oversight, resulting in a lapse of almost two years in state quality assurance reviews for the pilot lead agencies. OPPAGA further stated that Chapin Hall proposed changes to the quality assurance methodology, which the Department accepted and incorporated into the Regional Model (referred to above).¹²

The delay was also caused by ChildNet and Our Kids disagreement with the accuracy of Chapin Hall's draft July 2007 report. The lead agencies and the Department questioned the approach used by Chapin Hall's subcontractors. Chapin Hall agreed not to finalize the July 2007 review and instead submitted a revised monitoring report in September 2007, which was accepted by the Department and lead agencies.¹³ In April 2008, Chapin Hall submitted a draft of their second quarter monitoring report for ChildNet and Our Kids, and, with regard to Our Kids, observed, "The findings from this case record review support the findings reported as part of the prior review."

Although the statewide transition to community-based care was completed in April 2005, the Department's quality assurance system continues to go through revision. Without a working quality assurance system in place for community-based care, the Department is unable to effectively assess the quality of outsourced child welfare services.

Performance Measures

Another factor in accountability is the set of performance measures used to set standards, for improvement efforts, and evaluate success. A measure may be defined as a quantitative or qualitative indicator of the extent to which objectives are being achieved. Based on interviews with staff of the Office of the Assistant Secretary for Programs, the Department has various sets of measures for outsourced child welfare services; however, they are not fully aligned with each other:

- The Department's FY 07/08 standard, and system of care lead agency contract Attachment I's include eight performance measures, four of which are consistent with Federal measures. The other four were internally created, based either on priorities of previous Department heads, or measures which lead agencies can control. These eight

¹¹ Source: OPPAGA Report No. 07-03, "CBC Pilot Project Implementation Delayed But Proceeding; Other Initiatives Implemented," published January 2007.

¹² Source: OPPAGA Report No. 08-09, "Pilot to Outsource CBC Program Oversight Encountered Setbacks; Effectiveness Unknown," published February 2008.

¹³ Source: OPPAGA Report No. 08-09, "Pilot to Outsource CBC Program Oversight Encountered Setbacks; Effectiveness Unknown," published February 2008.

performance measures are also used in the pilot program contracts with ChildNet and Our Kids.

- The Department's Long-Range Program Plan (LRPP) specifies legislatively approved performance measures and standards for each program area. However, only five of the contract performance measures (including the four Federal measures) are included in the LRPP for the Child Protection and Permanency budget entity.
- The February 26, 2008 edition of the DCF Quick Facts identifies "Critical Few Performance Measures." Five of the six critical few measures pertaining to outsourced child welfare services are included in the lead agency contracts. However, the¹⁴ sixth, which is based on a Federal measure, is neither in the contract or the LRPP.

Furthermore, none of these sets of measures may be entirely meaningful, or consistent with recent changes in Federal measures:

- Chapter 2006-30, LoF, requires the contracted third party monitor (Chapin Hall) develop other performance outcome measures to best determine the quality of performance of the lead agencies. Chapin Hall is contractually required to report on their recommendations for other performance measures by August 15, 2008.
- The Federal Child and Family Services Review (CFSR) monitors the state's conformity with the requirements of Title IV-B of the Social Security Act. Florida's second CFSR occurred in January 2008. Areas not in substantial conformity will require a Program Improvement Plan, and, if necessary, significant financial penalties will be assessed for those areas not achieving the necessary improvements.

In addition to seven systemic factors, the CFSR measures seven outcomes addressing safety, permanency, and child and family well-being. In 2007, the Department adapted a set of 21 lead agency contract measures based on specific measures used for CFSR. Although the Assistant Secretary for Programs considers the measures "solid", he stated that existing lead agency contracts will not be amended, at this time, to reflect these new measures. Instead, the Implementation and Oversight Team is to come up with recommendations on how to track and monitor compliance with the new Federal measures. The Assistant Secretary for Programs tentatively expects the Team to have these recommendations by October 1, 2008.

The Department has various sets of measures for outsourced child welfare services; however, they are not fully aligned with each other, and none of the sets may be entirely meaningful or consistent with recent changes in Federal measures. As a result, the Department may lack the relevant information needed to effectively measure safety, permanency and well-being outcomes for children and their families receiving child welfare services.

¹⁴ Percentage of children with no more than two placements within 12 months of removal.

¹⁵ Contract JJ210, as amended in November 2007.

¹⁶ Source: The Federal Administration for Children & Families website.

Recommendation

We recommend the Department take prompt action by adopting a uniform set of performance measures for outsourced child welfare services which meet Federal requirements, and holding lead agencies contractually accountable for these measures.

Management Response

“Upon approval of the Child Welfare Quality Assurance Model on March 11, 2008, the Family Safety Program Office convened a Performance Measure workgroup to review the existing set of state, federal, contract and best practice measures and methodologies. One of the overarching objectives of the workgroup is to develop a set of measures that drives practice consistent with Florida's goals and can be used for CBC contracts and Quality Assurance/Quality Improvement. The workgroup is comprised of representatives from the Department (Office of the Secretary, Central Office and Region Family Safety staff), CBC's (Executive Directors and QA staff) and the University of South Florida, Florida Mental Health Institute. The workgroup plans to have this set of measures developed and ready for inclusion in CBC contracts beginning July 1, 2009.”

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This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors and Government Auditing Standards by the Comptroller General of the United States. The team of Bruce L. Smith and Theresa Skipper conducted the audit under the supervision of Jerry Chesnutt, Director of Auditing, (850) 488-8722.

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